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Turkey

Sugar

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Approved by:

Ralph Gifford, Agricultural Counselor
Ankara

Prepared by:

Unal Sarigedik, Agricultural Specialist

Report Highlights:

Sugar beet and centrifugal sugar production in MY 2007 is expected to be lower than the quota target announced earlier. The estimate is lower because of reduced yields due to hot and dry weather in summer. Sugar beet production is now estimated at 14.2 MMT and centrifugal sugar production at 2,065,000 MT (Raw value). Industry sources do not expect an increase in the quota for cornstarch-based sweetener (SBS) producers in MY 2007 due to a court decision that was produced by PANKOBIRLIK. Cumra refinery has been setting up plant to produce ethanol from sugar beets. It is projected that ethanol production will start in MY 2007.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
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Production

Sugar Beets

The MY 2007 sugar beet crop is expected to be slightly lower than the quota target announced early in the season prior to planting, as a result of lower yield due to very hot and dry weather in summer. Post now estimates sugar beet production at about 14.2 MMT compared to 14.7 MMT estimated earlier. Out of this total, the Turkish Sugar Corporation (TSC) is estimated to produce around 6.5 MMT and all others, including PANKOBIRLIK producers, are estimated to produce a total of about 7.7 MMT. TSC announced the procurement price as YTL 89.9 per MT of beets (based on 16 percent polar sugar content). A year ago the procurement price was higher at YTL 98.909 per MT. Fiscal austerity requirements imposed by the IMF limit the quantity of sugar procured at the full price.

Total area of sugar beet is still estimated at 330,000 hectares. Nearly one half of this total is the area for TSC farmers, estimated at 160,000 hectares. The average sugar beet yield is estimated around 43 MT per hectare compared to 45 MT per hectare a year ago. The yields are slightly lower for the TSC refineries, but slightly higher for other refineries. Similarly, polar sugar content, which is estimated similar to the previous year on the average, is estimated lower for the TSC refineries than other refineries.

PS&D for Sugar Beets

Turkey Sugar Beets										
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09/2004	09/2004		09/2005	09/2005		09/2006	09/2006	MM/YYYY
Area Planted	330	330	330	330	320	336	330	0	330	1000 HA
Area Harvested	329	329	329	327	320	335	330	0	330	1000 HA
Production	13800	13800	13800	14700	14500	14700	14700	0	14200	1000 MT
Total Supply	13800	13800	13800	14700	14500	14700	14700	0	14200	1000 MT
Utilization for Sugar	13800	13800	13800	14700	14500	14700	14700	0	13800	1000 MT
Utilization for Alcohol	0	0	0	0	0	0	0	0	400	1000 MT
Total Distribution	13800	13800	13800	14700	14500	14700	14700	0	14200	1000 MT

Centrifugal Sugar

There are a total of 33 sugar refineries in Turkey. Out of this total, 22 factories are owned and run by the Turkish Sugar Corporation (TSC), five are owned by PANKOBIRLIK (those in Amasya, Kayseri, Konya, Cumra, and Bogazliyan), three are owned by the private sector (in Adapazari, Kutahya, and Aksaray), and three (in Ilgin, Bor, Eregli) were transferred to the Privatization Administration, but have not yet been privatized. The Adapazari and Aksaray refineries began production in MY 2007. the Bogazliyan plant is also expected to start production by the end of October 2006.

Total quota distributed for sugar producers was 2.2 MMT (raw value). Of this total about 985,000 were given to TSC, about 900,000 MT were to PANKOBIRLIK and private sector refineries, and about 315,000 MT were to those three refineries that are announced to be

privatized (all of these figures are on refined basis). TSC's quota originally was about 1,160,000 MT, but TSC requested a reduction because of its carry over stocks.

Total sugar production for MY 2007 is estimated at 2,065,000 MT at this point. This is lower than the allocated quota due to reduced sugar beet yields.

PS&D for Centrifugal Sugar

Turkey Sugar, Centrifugal										
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09/2004	09/2004		09/2005	09/2005		09/2006	09/2006	MM/YYYY
Beginning Stocks	485	485	485	570	610	570	710	760	695	1000 MT
Beet Sugar Production	2110	2110	2110	2200	2175	2200	2200	0	2065	1000 MT
Cane Sugar Production	0	0	0	0	0	0	0	0	0	1000 MT
Total Sugar Production	2110	2110	2110	2200	2175	2200	2200	0	2065	1000 MT
Raw Imports	0	0	0	0	0	0	0	0	0	1000 MT
Refined Imp.(Raw Val)	0	0	2	0	0	6	0	0	10	1000 MT
Total Imports	0	0	2	0	0	6	0	0	10	1000 MT
Total Supply	2595	2595	2597	2770	2785	2776	2910	760	2770	1000 MT
Raw Exports	0	0	0	0	0	0	0	0	0	1000 MT
Refined Exp.(Raw Val)	25	25	27	20	25	41	20	0	50	1000 MT
Total Exports	25	25	27	20	25	41	20	0	50	1000 MT
Human Dom. Consumption	2000	1960	2000	2040	2000	2040	2080	0	2080	1000 MT
Other Disappearance	0	0	0	0	0	0	0	0	0	1000 MT
Total Disappear	2000	1960	2000	2040	2000	2040	2080	0	2080	1000 MT
Ending Stocks	570	610	570	710	760	695	810	0	640	1000 MT
Total Distribution	2595	2595	2597	2770	2785	2776	2910	0	2770	1000 MT

Cornstarch-Based Sweeteners

The quota for cornstarch based sweetener (SBS) producers, which was increased from 234,000 MT to 351,000 MT (from 10 percent to 15 percent of the total production) in recent years, is not expected to be increased in MY 2007. The reason for this is a recent court decision that the production quota for SBS producers cannot be increased. The court made a decision after PANKOBIRLIK claimed to the court that the quota increases for sweetener producers are increasing sugar stocks, which is causing a reduction of the total quota for beet sugar producers as a result. Thus, it is unlikely that the government will announce any quota increase for SBS producers in MY 2007.

There are five factories producing SBS with a quota with a total capacity of around 900,000 MT in Turkey. Two of these factories are entirely foreign invested; two are one hundred percent domestic capital and one is a mixture of domestic and international capital. A total

of 525,000 MT of corn is used to produce SBS in Turkey. This amount increases to 825,000 MT with the inclusion of corn-based starch. A foreign-owned plant in Bursa has continued to have difficult relations with local authorities and recently had to suspend operations.

Ethanol and Molasses

Cumra sugar factory, which started operation last year, is building another plant to produce ethanol. It is expected that ethanol production will start in MY 2007. This will be the first and only ethanol producing factory using sugar beets as raw material in Turkey. The annual capacity of production will be 80,000 m3. There is only one other ethanol producing company in the Marmara Region, which has an annual capacity of 30,000 m3 and uses corn and/or wheat as raw material depending upon which one is cheaper.

Turkish molasses production is estimated at around 4 percent of the total beet production. Thus, it is estimated that about 550,000 MT of molasses are being produced. This production is being consumed as animal feed and in the production of alcohol and yeast. A small quantity is also being sold to the neighboring countries. The price of molasses varies from USD 80 to USD 100 per MT, depending on location.

Consumption

Turkish sugar consumption has been increasing parallel to the increases in both population and confectionary exports. In recent years, increase in sugar consumption has been lower than the increase in SBS consumption due to lower price and ease of use of SBS in products such as beverages.

SBS producers prefer to use domestically grown corn for two reasons: biotechnology and politics. SBS are being used primarily by the soft drink industry in Turkey. Part of this production is exported to the EU countries. The EU soft drink industry requires that the SBS must be produced from non-GMO corn, which forces SBS producers to use domestically grown corn even though domestically grown corn prices are usually higher than international corn prices. The Turkish Government applies high duty on corn imports (130 percent) to reduce the attractiveness of imported corn. SBS producers are also trying to use more of the domestically grown corn for political reasons since they have faced significant and often inflammatory criticism from sugar beet farmers and processors.

Prices

Turkey has some of the highest prices for sugar in the world.

Turkish Sugar Corporation Ex-factory Sugar Selling Prices		
Type of Sugar	June 18, 2004 YTL/Kg. (VAT included)	October 16, 2006 USD/Kg. (VAT included)
Crystal Sugar		
- 50 Kg. bags	1.696	1.146
Cube Sugar		
- 50 Kg. bags	1.841	1.244

The profit margin of the factories and the VAT are included in these prices. The last column of the above table compares these prices in current USD terms. (Note: USD 1.00 is currently about YTL 1.48)

Because of high competition faced from PANKOBIRLIK and private factories, from time to time TSC reduces these prices and/or provides deferred payment system in order to compete in the market.

Trade

In recent years, Iraq has been the major market for Turkish sugar exports. Iran, Georgia, and Azerbaijan were the other leading importers. Exports were reduced significantly in recent years and are expected to continue to decline since supply has been reduced and the GOT does not provide any subsidy for sugar exports. Export and Import Matrixes provide trade data for MY 2005 and for the first nine months of MY 2006.

Export Trade Matrix for Centrifugal Sugar

Turkey Sugar, Centrifugal			
Time Period	Sep. - Aug.	Units:	Metric Tons
Exports for:	2005	Sep. - May	2006
U.S.	18	U.S.	7
Others		Others	
Iraq	14308	Iraq	22431
Azerbaijan	6183	Iran	6498
Germany	4327	Georgia	5403
France	646	Germany	2188
Northern Cyprus	569	Azerbaijan	2078
Romania	444	Pakistan	1087
Lebanon	109	Northern Cyprus	788
Israel	67	France	495
Kuwait	66	Lebanon	130
Libya	57	Kuwait	95
Total for Others	26776		41193
Others not Listed	341		232
Grand Total	27135		41432

Import Trade Matrix for Centrifugal Sugar

Turkey Sugar, Centrifugal

Time Period	Sep. - Aug.	Units:	Metric Tons
Imports for:	2005	Sep. - May	2006
U.S.	44	U.S.	18
Others		Others	
United Kingdom	1136	Belgium	2675
Germany	709	United Kingdom	2225
Netherlands	150	Germany	1182
France	112	France	89
Denmark	83	Italy	24
Spain	17	Spain	15
Italy	13		
Total for Others	2220		6210
Others not Listed			
Grand Total	2264		6228

Stocks

Sugar stocks have declined because of the GOT policy to restrict the total amount of sugar and SBS production.